



Agricultural Outlook Forum 2001

“Implications of Structural Change
for Agribusiness”

Farmland Profile

Headquarters:	Kansas City, MO
2000 Sales:	\$12.2 billion
Owners:	1,700 local cooperatives 600,000 North American producers and ranchers
Motto:	Proud to be Farmer Owned®
Assets:	\$3.3 billion asset base
Mission:	<i>To be a global, consumer-driven, producer-owned, financially successful “farm-to-table” cooperative system.</i>

Today's Topic.....

Change!





Source: National Geographic

Why did this event make such a difference?

- ✦ Privatization -- the state buyers began to disappear
- ✦ “Consumer power” began to be exerted
- ✦ We had to start “marketing” our grains rather than just selling them



Marketing?

A business function that:

- ✦ Identifies unfulfilled needs and wants
- ✦ Defines scope and magnitude of needs and wants
- ✦ Establishes a company's targets
- ✦ Decides the appropriate products, services, and programs
- ✦ Causes everyone in the organization to “think about and serve the customer.”



Who is the Customer?



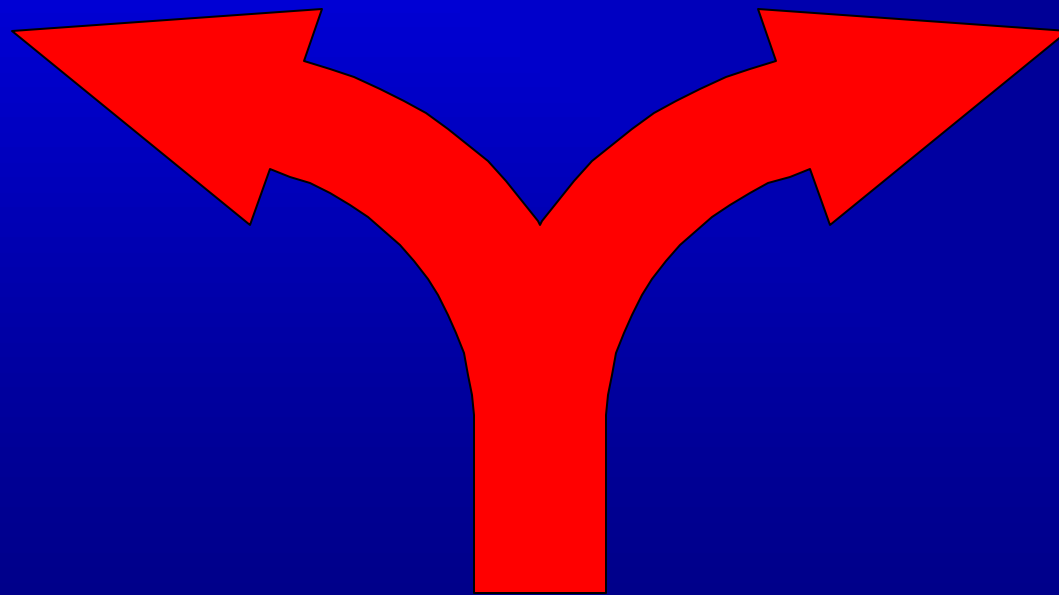
Customer-Driven?

Ability to identify what the consumer wants (and is willing to pay for), then design the product and/or service to fulfill the want.



Generic Grains

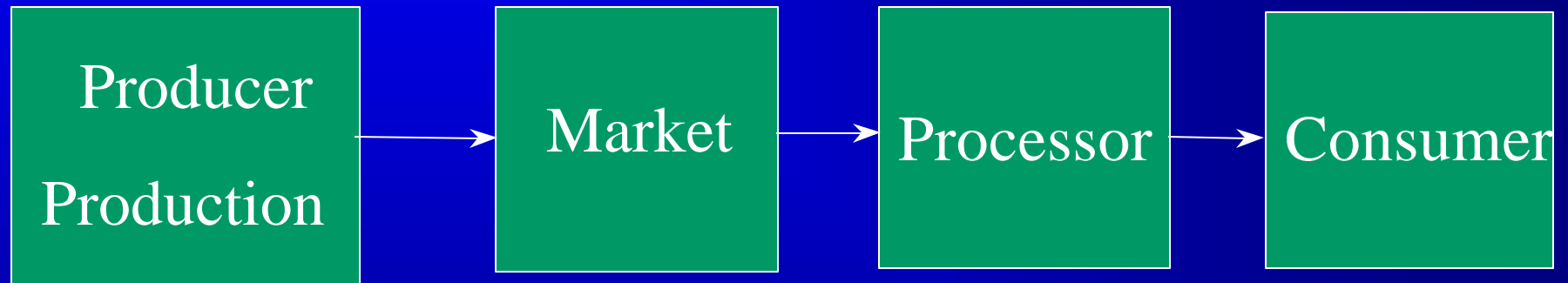
- Marketed Grains
- Segregated
- IP
- Contract
- Special Use



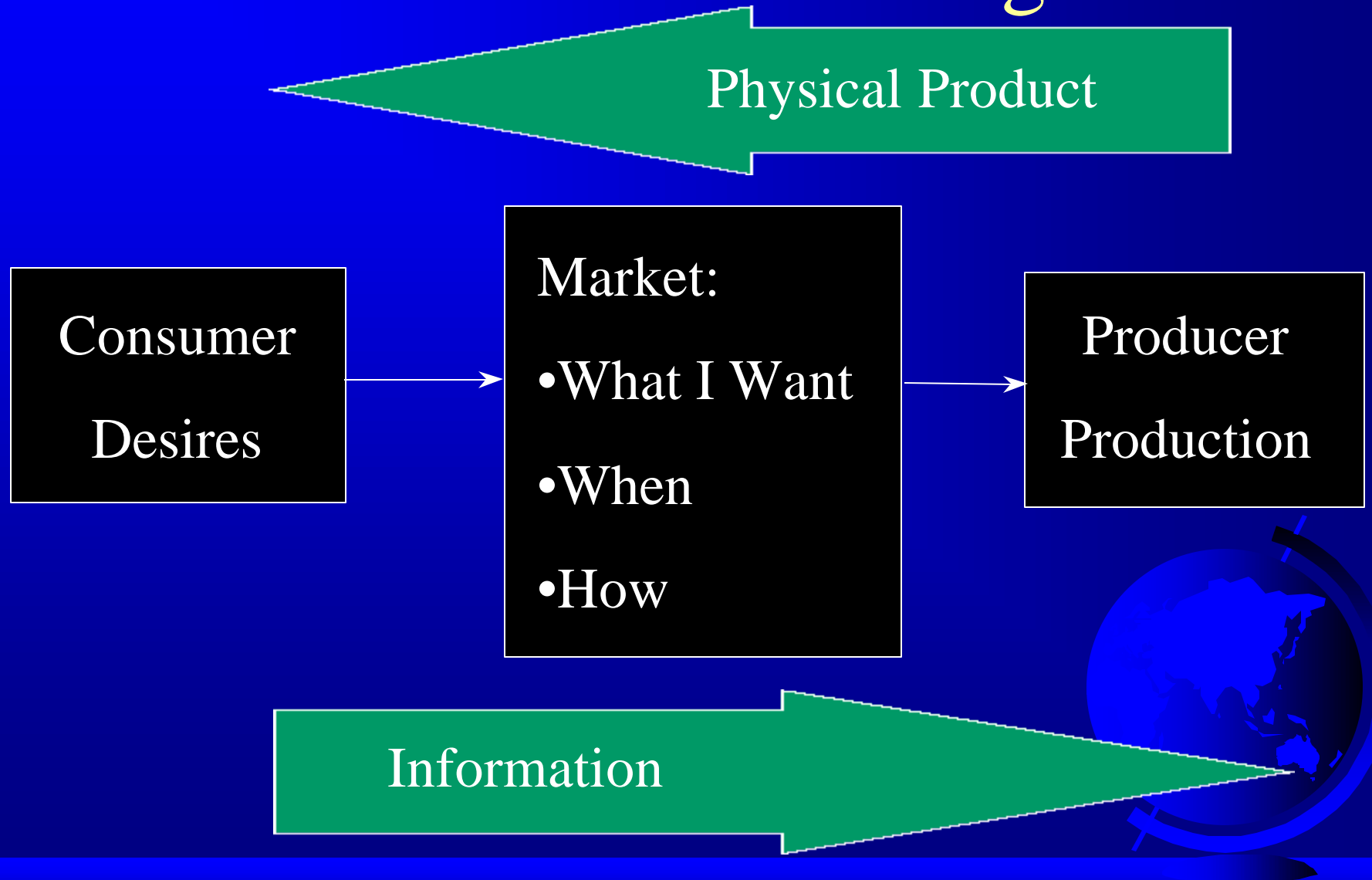
Commodity Grains?



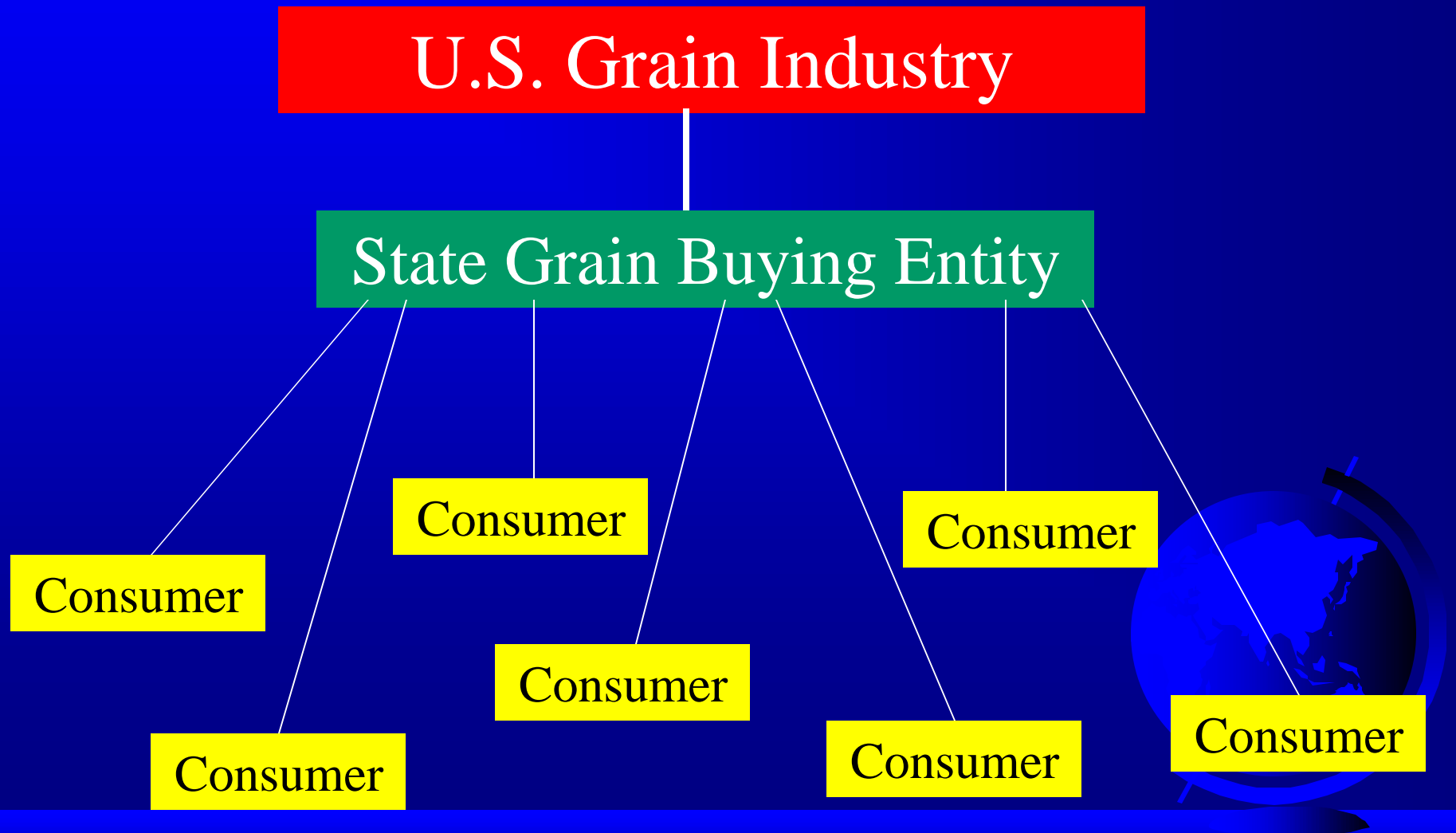
Past Grain Paradigm



Present/Future Grain Paradigm



Yesterday our Customers looked like this.....



Today our Customers look like
this.....

U.S. Grain Industry

Consumer

Consumer

Consumer

Consumer

Consumer


Consumer

Consumer



Buying Patterns Have Changed...

- ✦ U.S.D.A. Specifications -- a guideline
- ✦ Competitive year round supply
- ✦ Performance
- ✦ Will the products from your grain meet my customers' needs?
- ✦ Drive for consistency
- ✦ Technical support
- ✦ Support services
- ✦ Facilitate Financing



Surround the Customer
with the things that
enable them to succeed!

Consumer Driven

- ✦ Barely 1/2 of food purchases are from the grocery store
- ✦ 5 Companies = 42% of retail food sales
- ✦ 3 Fast Food Sandwich Chains = 61% market share
- ✦ 3 Pizza Chains control 84% of the market

What is the power of a brand?



Supply Chain Management.....

Consistency

Operations

Transportation

Process Verification

Price

Specifications

Biotechnology

Supply

Risk Management

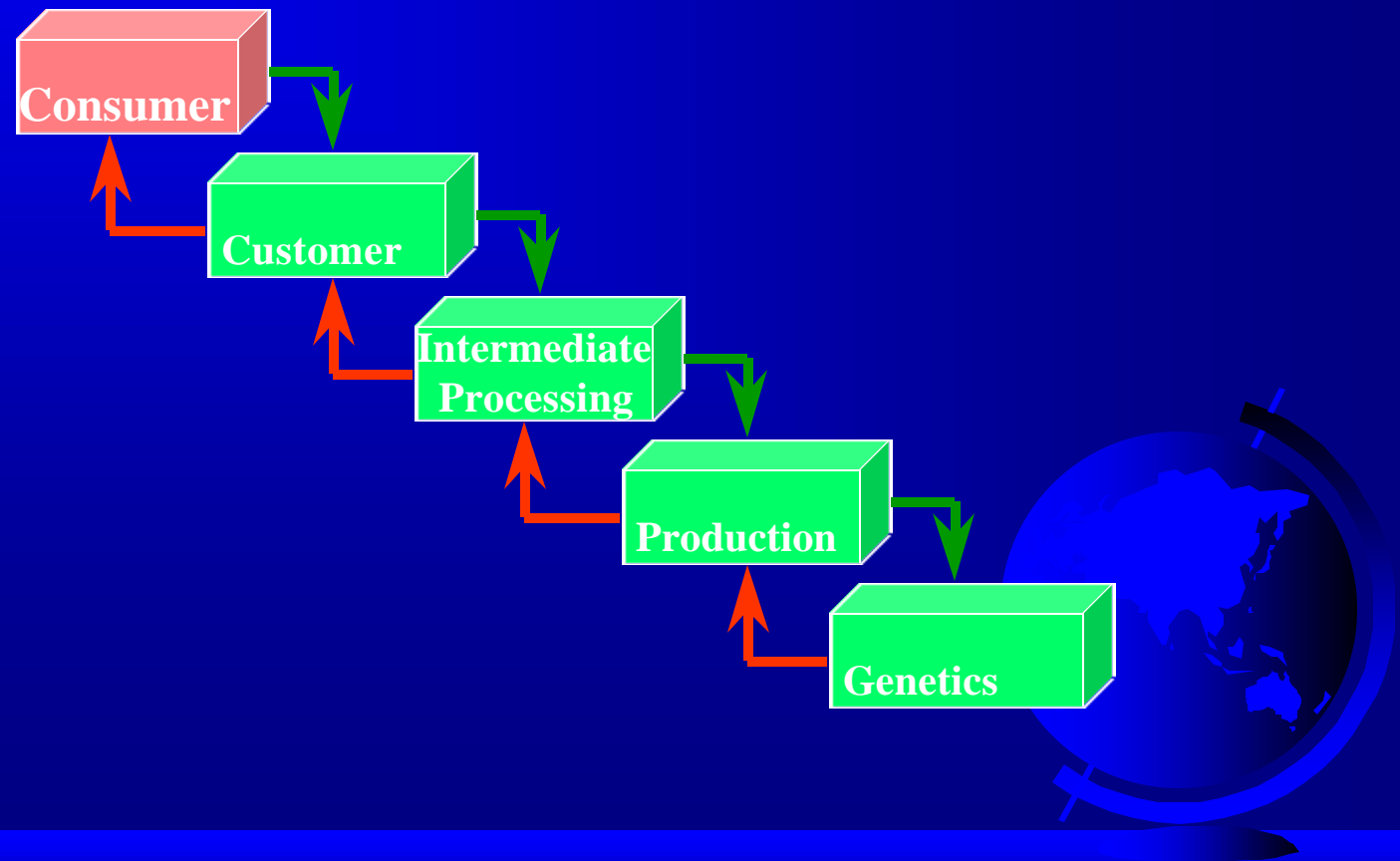
Technical Support

E Commerce



New Generation Food Production System

A system that can verify, TO THE CONSUMER, that certain procedures and safeguards were followed in the production, processing and delivery of a product.



Process Verification

Consumer Preferences

"Safe"

"Healthy"

"Ready-to-Eat"

Wholesale / Retail

Distribution Channels

Category Marketing

Processing / Packaging

Consumer Preferences (e.g. Ready-to-Eat)

Niche Markets (e.g. Residue Free)

Grower / Producer

Specialty Crops

High Value Meat or Fish

Food Origination

Plant Genetics

Animal Genetics

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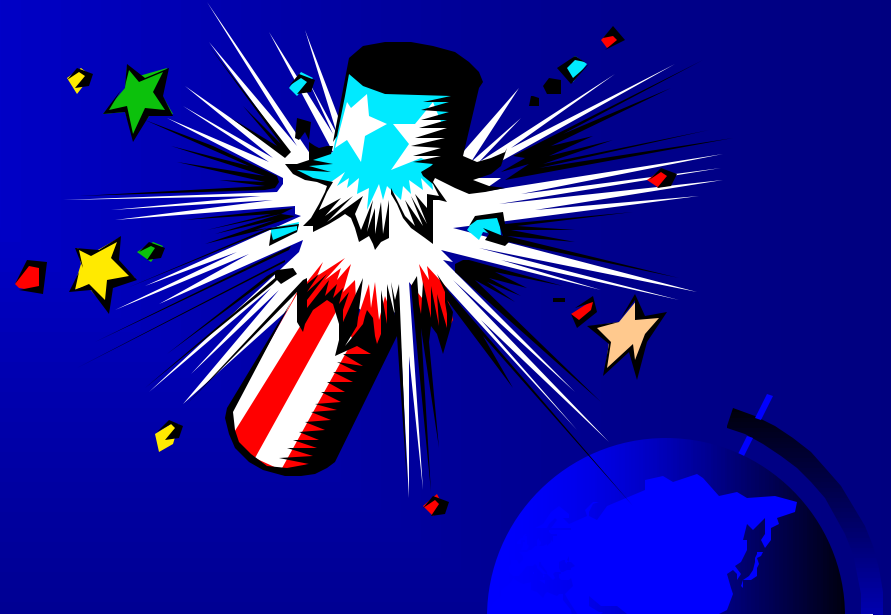
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An IP-based Food Production Model



Genetic Technology aka: “Biotechnology”

- ✦ Emotional
- ✦ High Risk
- ✦ Feeling of being violated
 - Consumers
 - Producers
 - Grain Handlers
- ✦ “Pandora’s Box is Open!”



The opportunities are immense!

The Risk is Significant!

Biotechnology Prediction....

- ✦ Acceptance will occur when stakeholders feel they are in a “win-win” situation -- will take time.
- ✦ Immense marketing opportunities will develop
- ✦ Grain will be handled differently
- ✦ Production systems will develop



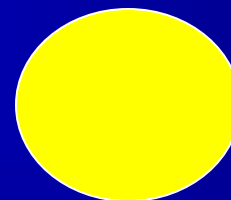
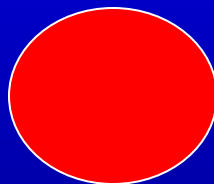
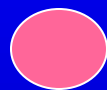
How it is done today!



(A Fragmented & Redundant Supply Chain)



Independence!

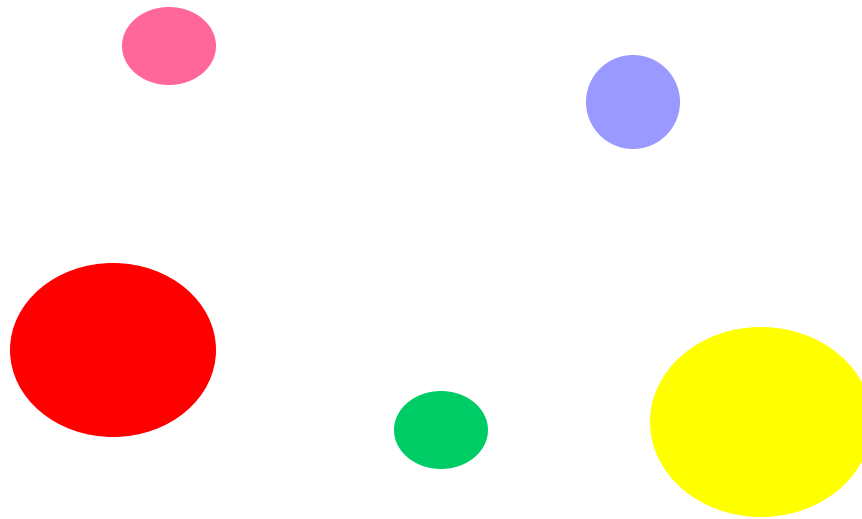


Interdependence!

Commonality:

- People
- Systems
- Processes
- Arbitrage
- Risk Management
- IP Systems
- Transportation
- Market Clout
- Asset Optimization

Grain Community





Manage
Cost/Risk

Meet
Customer
Need

Result = Success!

How will we manage change?

- ✦ Think and act outside of the “Box”
- ✦ Manage facts vs emotion
- ✦ Become engaged
 - Not just the technology companies or regulators
 - Not just producers
 - Not just grain handlers and marketers
 - Not just millers or processors



This is not just an industry of component or smokestack groups but an inter-dependent industry whose focus is *food* and our customer is the *consumer*.



Farmland®



Proud to be farmer owned®

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